

**MASTER POWER PURCHASE AND SALE AGREEMENT
AMENDED AND RESTATED CONFIRMATION LETTER**

This amended and restated confirmation letter shall confirm the Transaction agreed to on April 22, 2002 and effective May 1, 2002 between Calpine Energy Services, L.P. ("Party A") and State of California Department of Water Resources with respect to its responsibilities pursuant to California Water Code Section 80000 *et seq.* regarding the Department of Water Resources Electric Power Fund separate and apart from its powers and responsibilities with respect to the State Water Resources Development System ("Party B") regarding the sale/purchase of the Product under the terms and conditions as follows:

Seller: Calpine Energy Services, L.P.

Buyer: State of California Department of Water Resources

Product:

☐ Into _____, Seller's Daily Choice

☐ Firm (No Force Majeure)

☐ System Firm

(Specify System: _____)

☐ Unit Firm

(Specify Unit(s): See "Special Conditions" below.)

☒ Other

Product 1: Firm (LD) at 100% load factor, 24 hours per day, 7 days per week, subject to "Special Conditions" below. If delivered, Party B must take and pay for energy.

Product 2: Firm (LD), subject to, scheduled and dispatchable by Party B in accordance with "Special Conditions" below.

Product 3: Firm (LD), subject to, scheduled and dispatchable by Party B in accordance with "Special Conditions" below.

Product 4: Firm (LD), subject to, scheduled and dispatchable by Party B in accordance with "Special Conditions" below.

☐ Transmission Contingency (If not marked, no transmission contingency)

☐ FT-Contract Path Contingency ☐ Seller ☐ Buyer

☐ FT-Delivery Point Contingency ☐ Seller ☐ Buyer

☐ Transmission Contingent ☐ Seller ☐ Buyer
☐ Other transmission contingency

(Specify: _____)

Contract Quantity:

Product 1:

May 1, 2002 - June 30, 2002: 200 MW
July 1, 2002 - December 31, 2009: 1000 MW

Product 2:

May 1, 2002 – June 30, 2002: 800 MW on-peak hours

Product 3:

June 1, 2002 - December 31, 2002: 500 MW on-peak hours
June, July, August, September 2003: 500 MW on-peak hours

Product 4:

May 1, 2002 – December 31, 2003: 400 MW off-peak hours

“On-peak hours” are the hours from the hour ending 0700 through the hour ending 2200, Monday through Saturday (except for official NERC holidays). “Off-peak hours” are all hours on Sunday and any other day that is a NERC holiday and the hours from the hour ending 0100 through the hour ending 0600, and from the hour ending 2300 through the hour ending 0000 Monday through Saturday (excluding NERC holidays).

Contract Quantity for Product 2 and 3 are set forth on Schedule 1 for illustrative purposes.

(Above Contract Quantities, and the Contract Quantity for Product 2 and 3 as set forth on Schedule 1, are subject to "Special Conditions" below.) In the event of a conflict between the provisions of this Confirmation and Schedule 1, the provisions of this Confirmation shall prevail.

Delivery Point:

Any point or points designated by Seller on North Path 15, except as the Parties may otherwise agree. Seller may schedule one or more different delivery points on an hourly basis pursuant to CAISO protocols (or any successor protocols).

Contract Price:

Energy Price:

Product 1: \$59.60 per MWh

Product 2: For each month, Buyer shall pay Seller the Monthly Fuel Costs plus \$1.50 per MWh scheduled by Buyer and delivered for variable operation and maintenance costs in arrears

Product 3: For each month, Buyer shall pay Seller the Monthly Fuel Costs plus \$1.50 per MWh scheduled by Buyer and delivered for variable operation and maintenance costs in arrears

Product 4: For each month, Buyer shall pay Seller the Monthly Fuel Costs plus \$1.50 per MWh scheduled by Buyer and delivered for variable operation and maintenance costs in arrears

Monthly Fuel Costs and Gas Index for Products 2, 3 and 4:

Monthly Fuel Cost = sum of Daily Fuel Costs for each day in a given month; provided, however, that, if and to the extent that Buyer and Seller mutually agree on a fuel plan for supplying the fuel for Product 2, 3 and/or 4 the Monthly Fuel Cost shall be the cost of fuel pursuant to such agreed fuel plan.

Daily Fuel Cost = (7.75 Mmbtu/MWh x number of MWh scheduled during such day) x Daily Gas Index for such day (in \$/Mmbtu)

Daily Gas index = Price equal to the daily Midpoint price for PG&E Citygate for the applicable Flow Date as published in Platt's Gas Daily or successor publication mutually satisfactory to Buyer and Seller, plus all applicable PG&E local distribution company gas distribution charges in accordance with PG&E's tariff, plus all applicable PG&E tariff surcharges, if any.

Other Charges:

Product 1: N/A

Product 2: A monthly capacity payment, payable in arrears, of \$12.50 per kW-month times the on-peak capacity, for all capacity under this Transaction for such month.

Product 3: A monthly capacity payment, payable in arrears, of \$12.50 per kW-month times the on-peak capacity, for all capacity under this Transaction for such month.

Product 4: N/A

Capacity Payments for Product 2 and 3 are set forth on Schedule 1 for illustrative purposes.

(Above capacity payments, and the capacity payments set forth on Schedule 1 for Product 2 and 3, are subject to "Special Conditions" below.) In the event of a conflict between the provisions of this Confirmation and Schedule 1, the provisions of this Confirmation shall prevail.

Delivery Period:

Product 1: May 1, 2002 - December 31, 2009

Product 2: May 1, 2002 – June 30, 2002

Product 3: June 1, 2002 – December 31, 2002 and June, July, August, September 2003

Product 4: May 1, 2002 – December 31, 2003

Special Conditions: (1) See Cover Sheet to Master Agreement.

(2) Seller, for each Project (as defined in Special Condition (4) below), shall provide monthly reports to Buyer which set forth the status of pre-construction activities (including permitting, licensing, financing, equipment acquisition and similar pre-construction activities), construction activities, progress toward compliance with any milestone dates established in the California Energy Commission ("CEC") or other applicable siting permit and this Confirmation, and the then expected commercial operation dates. Such reports shall include the status of accomplishing major development and construction milestones including obtaining all permits, securing project financing, acquisition and installation of major equipment, and start-up testing. Buyer may inspect the Projects, any Project construction site or on-site Seller data and information pertaining to the Projects reasonably necessary to verify the information provided pursuant to the first sentence of this Special Condition (2) during business hours upon reasonable notice. Seller will not materially decrease the nameplate capacity below that which is referenced in the applicable permit or change the design of the units in a manner that materially impairs Seller's obligations or materially alters Buyer's rights or obligations hereunder without the written approval of Buyer, not to be unreasonably withheld.

(3) With respect to Product 1 only:

(a) If for any day the On-Peak Market Heat Rate and/or the Off-Peak Market Heat Rate is projected (on a day ahead basis) to be greater than 7,000Btu/kWh, the Seller shall, for the applicable on peak hours and/or the applicable off peak hours, as the case may be, deliver the then applicable amount of Contract Quantity energy for such day from its Western Generation Assets into the California markets subject to Forced Outages that reduce the available Western Generation Assets below, or Force Majeure events that would prevent Seller from making available, 1000

MW; provided, however, nothing herein shall relieve the Seller of the obligation to provide Contract Quantity energy to the Buyer pursuant to this Transaction to the extent required by the definition of Product 1. If for any day the On-Peak Market Heat Rate or the Off-Peak Market Heat Rate is projected (on a day ahead basis) to be equal to or less than 7,000Btu/kWh, the Seller may deliver the then applicable Contract Quantity energy for the applicable on peak hours and/or the applicable off peak hours, as the case may be, for such day from any source, including its Western Generation Assets and market purchases, subject to excuse for Force Majeure events; provided, however, nothing herein shall relieve the Seller of the obligation to provide Contract Quantity energy to the Buyer pursuant to this Transaction to the extent required by the definition of Product 1. For the purpose of paragraph (a) of this Special Condition 3, the following definitions shall apply:

“On peak hours” and “off peak hours” shall have the meanings set forth above under “Contract Quantity.”

“On-Peak Market Heat Rate” shall mean (i) the day ahead on peak energy price for North Path 15, as listed in Platt’s Megawatt Daily, Index for NP15, in the table entitled “Trades for Standard 16 Hour Daily Product,” (or any successor index thereto as mutually agreed by the Parties) divided by (ii) the Daily Gas Index as described above under “Contract Price,” determined on a day ahead basis.

“Off-Peak Market Heat Rate” shall mean (i) the day ahead off peak energy price for North Path 15, as listed in Platt’s Megawatt Daily, Index for NP15, in the table entitled “Ranges for Indexes of Trades for Standard Off-Peak Product,” (or any successor index thereto as mutually agreed by the Parties) divided by (ii) the Daily Gas Index as described above under “Contract Price,” determined on a day ahead basis.

"Western Generation Assets" shall mean generating assets or portions or output thereof located in the WSCC and owned or controlled by Seller or its Affiliates which are direct or indirect wholly-owned subsidiaries of Calpine Corporation which are not under contract as “qualifying facilities” (within the meaning of the Public Utility Regulatory Policies Act). An asset or portion or output thereof is controlled by Seller or an Affiliate for the purposes of this definition to the extent that Seller or Affiliate has the ability to direct the use of such asset or portion or output thereof pursuant to an agreement.

(b) Buyer shall be entitled to remedies under Article IV of the Master Power Purchase and Sale Agreement if it does not receive the applicable Contract Quantity of Product 1 hereunder. Subject to the preceding sentence, Buyer's sole remedy for Seller's failure

to comply with the requirements of paragraph (a) of this Special Condition (3) in any hour shall be the payment of an amount equal to (i) 10% times (ii) the absolute value of the difference, if any, between the Market Price and the Contract Price times (iii) the positive difference, if any, between 1000 MWh and the amount of energy delivered (or which, but for the occurrence of a Force Majeure event or Forced Outage, could have been delivered) from Seller's Western Generation Assets (in MWh, not to exceed 1000 MWh) into the California markets during such hour. For the purpose of paragraph (b) of this Special Condition (3), "Market Price" means, for any hour, the average of the CAISO incremental supplemental prices for energy delivered into NP 15 for each period during such hour.

(c) From time to time (but not more frequently than monthly) at Buyer's request, Seller shall provide Buyer information reasonably satisfactory to Buyer in sufficient detail to enable Buyer to verify the amount and sources of Western Generation Assets that were on line during each hour and delivered energy into the California markets for the purposes of meeting its obligations under paragraph (a) of this Special Condition (3). If energy necessary to satisfy Seller's obligations under paragraph (a) of this Special Condition (3) was delivered from its Western Generation Assets located outside of California, Seller will provide evidence that it had acquired and had utilized intertie capacity sufficient to deliver energy from any of its Western Generation Assets outside of California to supply the amount of energy from such Western Generation Assets necessary (together with energy supplied from its Western Generation Assets in California) to meet its obligations hereunder. Upon request of Buyer, Seller will provide Buyer with sufficient information to enable Buyer to determine whether Seller's scheduling coordinators are effecting delivery of scheduled Contract Quantity market energy purchases through the CAISO imbalance energy markets. Seller authorizes Buyer to obtain such information from CAISO as may be necessary to determine compliance with the provisions hereof or to determine whether Seller's scheduling coordinators are effecting delivery of scheduled Contract Quantity market energy purchases through the CAISO imbalance energy markets, and Seller hereby waives its right to object to CAISO providing such information to Buyer; provided, however, that Buyer shall only use such information for the purposes of monitoring Seller's compliance with the provisions hereof. Parties elect to make Section 10.11 of the Master Agreement applicable to such information. Seller will not submit any negative decremental bids with respect to the Contract Quantity to CAISO unless mutually agreed nor claim

unavailability of Seller-owned generating capacity based on Forced Outage or Force Majeure when in fact none exists.

(d) Notwithstanding the foregoing, subject to Forced Outages or Force Majeure events that reduce the available Western Generation Assets below 1000 MW, upon the issuance of any day-ahead CAISO warning of a potential stage alert then during hours of any warning or stage alert occurring during the following day, Seller shall provide the Contract Quantity from its Western Generation Assets and not from market energy purchases. Subject to Forced Outages or Force Majeure events with respect to Western Generation Assets, during the hours of any CAISO warning or alert other than as set forth in the preceding sentence, Seller will bid its unutilized Western Generation Assets located in California, and its other unutilized Western Generation Assets subject to prior use of such assets (or local control area rules and regulations) in connection with a warning or stage alert in the state in which such assets are located, into the CAISO imbalance energy market at just and reasonable rates.

(4) (a) Seller will use commercially reasonable efforts to complete its Otay Mesa (estimated installed capacity of 510 MW), Metcalf (estimated installed capacity of 600 MW), East Altamont (proposed installed capacity of 1100 MW) projects and a project designated in accordance with subsection (a)(iv) (collectively, the "Projects", each a "Project"). For any of the Projects, at the request of Buyer, which Buyer may elect to make in its sole discretion, Seller will, subject to the terms and conditions set forth below, assign or otherwise transfer to Buyer, free and clear of any liens or encumbrances created by Seller or its Affiliates, all of its right, title and interest in any such Project (including, without limitation, all permits, consents and approvals, engineering and design drawings, contracts and equipment entered into or acquired for the Project, and all other Project assets), to the extent that such rights, titles, interests or assets are assignable or transferable, if:

- (i) With respect to any Project, Seller permanently elects not to proceed with construction, development or commercial operation of the Project; or
- (ii) (A) With respect to the Otay Mesa Project, Seller fails to achieve any of the following major milestones for the Otay Mesa Project or (B) with respect to the Metcalf Project, Seller fails to achieve any of the following major milestones for the Metcalf Project by the major milestone dates set forth below:

Metcalf

Commence Construction	11/30/02
Begin Pouring Major Foundation Concrete	06/30/03
Begin Installation of Major Equipment	09/30/03
Achieve Commercial Operation	12/31/04

Otay Mesa

Commence Construction	12/31/02
Begin Pouring Major Foundation Concrete	7/31/03
Begin Installation of Major Equipment	10/31/03
Achieve Commercial Operation	12/31/04

(iii) With respect to Seller's East Altamont Project, Seller fails to obtain the CEC permit for the East Altamont Project by November 30, 2002, or Seller fails to commence construction of the East Altamont Project within one year of the date by which the order issuing such CEC permit and all other permits necessary for the start of construction become final and non-appealable through the passage of time or by the exhaustion of any appeals; or

(iv) With respect to the Project designated pursuant to this subparagraph (iv), Seller fails to obtain the Start Permit for the Designated Project by a Permit Start Date, or Seller fails to commence construction of the Designated Project within one year of the date the Start Permit and all other permits necessary for the start of construction become final and non-appealable through the passage of time or by the exhaustion of any appeals.

For the purpose of this subparagraph (iv):

"Designated Project" means either the Teayawa Project with a proposed installed capacity of 600 MW ("Teayawa"), the Inland Empire Combined Cycle Project with a proposed installed capacity of 670MW ("Inland") or the San Joaquin Valley Energy Center with a proposed installed capacity of 1100 MW ("San Joaquin"), as selected

by Buyer within forty-five (45) days of the date of this Transaction. If Buyer does not make any selection by such date, the Designated Project shall be Teayawa and such right to select any other project as a Designated Project pursuant to this subsection (a)(iv) shall expire and be of no further force and effect. Seller shall have no further obligations and Buyer shall have no further rights under this Agreement with respect to the projects listed in this definition other than the Designated Project so selected or deemed selected.

"Permit Start Date" means with respect to Teayawa, April 30, 2003; Inland, April 30, 2003 and San Joaquin, November 30, 2002.

"Start Permit" means in the case of Teayawa, all applicable siting permits required to start construction and in the case of either Inland or San Joaquin, the CEC permit.

(b) For purposes of this Special Condition (4),

(i) to "commence construction" means (A) actively to commence site excavation, (B) to make a significant commitment of resources designed to achieve construction and commercial operation of the Projects by the dates set forth in this Special Condition (4), including without limitation the execution of sufficient contracts for necessary materials and supply, and (C) to cause sustained activity to occur on a daily basis at the Project site, with full crews, that is designed to achieve construction and commercial operation of the Projects by the dates set forth in this Special Condition (4).

(ii) to "achieve commercial operation" of a Project means that such Project has been completed, has passed all material performance tests, Seller or the owner of the Project has all necessary permits to operate the Project at the output level for which it was designed, the Project is capable of operating on a sustained basis at substantially the output level for which it was designed, and all interconnections, the capacity rating of the interconnection facilities, the interconnection agreement, and transmission connection are sufficient for the delivery of the full output of the Project to the CAISO-controlled grid.

(c) Seller shall have 90 days to cure any failure to meet any of the deadlines set forth above in subparagraphs (a)(ii), (iii) and (iv); provided, further, that with respect to the deadlines to obtain permits set forth in subparagraphs (a)(iii) or (iv) above, such 90-day period shall be extended day by day for permit delays if Seller is diligently seeking to obtain the permits referred to in said subparagraphs (a)(iii) or (iv), as determined by the CEC. If any dispute arises concerning whether Seller is diligently seeking to

obtain the permits referred to in said subparagraphs (a)(iii) or (iv), Seller shall file a letter with the Chair of the CEC's Energy Infrastructure and Siting Committee and the CEC Chief Counsel requesting a determination that it is diligently seeking to obtain permits in accordance with the provisions of the preceding sentence. If Teayawa is selected by Buyer as the Designated Project pursuant to subsection (a)(iv), the determination of whether the Seller is diligently seeking to obtain the permits referred to in said subparagraph (a)(iv) shall be determined by the lead permitting agency. Within 5 business days after each of the deadlines set forth above in subparagraphs (a)(ii), (iii) and (iv), Seller shall notify Buyer in writing whether the deadline has been met, and if it has not been met, Seller shall further notify Buyer whether and how Seller plans to cure within 90 days. The deadlines set forth in subparagraphs (a)(ii), (iii) and (iv), shall be extended by a period equal to the duration of any period of Force Majeure. In addition, the milestone date set forth for "Achieve Commercial Operation" in subparagraph (a)(ii) for a Project (and not any other milestone date in subparagraph (a)(ii)), shall be extended day for day for each day Seller is unable to achieve physical interconnection to water supply or discharge, gas transportation or electric transmission facilities necessary for such Project if Seller is diligently seeking to obtain such interconnections. In addition to the foregoing, any milestone set forth in subparagraph (a)(ii) shall be extended day for day as the result of any court ordered stay of the construction, development or commercial operation of the Project resulting from the challenge of any permit that was issued prior to the effective date of this Confirmation and is necessary for the start of construction of such Project.

(d) If Seller shall fail to meet any of the deadlines set forth in subparagraphs (a)(ii), (iii) or (iv) within the 90-day cure period, Buyer shall have 60 days following the expiration of the 90-day cure period to request assignment of Seller's right, title and interest in the applicable Project, which request shall be by written notice thereof to Seller. In addition, Buyer shall have 60 days following any election by Seller under subparagraph (a)(i) or any notice from Seller that it does not intend to cure within the 90-day cure period to request assignment of Seller's right, title and interest in the applicable Project, which request shall be by written notice thereof to Seller.

(e) Buyer's rights hereunder with respect to the Teayawa Project shall be subject to the consent of the Torres-Martinez Desert Cahuilla Indian Tribe, pursuant to the terms of the "Ground Lease between the Torres-Martinez Desert Cahuilla Indian Tribe, A Federally Recognized Indian Tribe 'Landlord' and Calpine

Corporation, a Delaware Corporation, "Tenant" dated May 22, 2000 and the provisions of the Site Development Agreement, dated November 30, 1999, between Adair International Oil and Gas, Inc. and Calpine Corporation, the terms and provisions of which are confidential and will not be disclosed except as permitted by such agreement. Seller represents, warrants and covenants with respect to all other Projects (other than as set forth above with respect to Teayawa) that, except for rights and liens granted in connection with the financing of any Project (i) it has not conveyed and will not convey, prior to the commercial operation date of a given Project, any ownership interests in or any interests in the profits of such Projects to any person other than a direct or indirect wholly-owned subsidiary of Calpine Corporation, and (ii) it has not conveyed and will not convey, prior to the commercial operation date of a given Project, any rights or options to acquire such ownership or profit-sharing interests to any person other than a direct or indirect wholly-owned subsidiary of Calpine Corporation. Seller further represents, warrants and covenants with respect to all other Projects (other than as set forth above with respect to Teayawa) that it has or will have sufficient control of all property rights that are necessary to develop the Projects in a commercially reasonable manner s and, except for rights and liens granted in connection with the financing of any Project, it has not agreed and will not agree to, or acquire any such Project subject to, any terms or provisions in any agreement with respect to such Projects that would (A) allow any person other than a direct or indirect wholly-owned subsidiary of Calpine Corporation rights to take over such Projects that are senior and superior to Buyer's rights under this Special Condition (4), or (B) have the effect of materially impairing Buyer's rights under this Special Condition (4) through the imposition of burdens, liabilities, obligations or financial disincentives on any party succeeding to Seller's rights with respect to the Projects and are not incurred in the normal course of Seller's business.

(f) If Buyer exercises its right to request assignment of Seller's right, title and interest in a Project, such assignment shall be on the following terms and conditions: (i) all assignments and transfers of any such right, title, interest, asset or other property shall be made by Seller on an "as is, where is" basis, without warranty of any kind, express or implied, other than Seller's warranty in subparagraph (e) of this Special Condition (4) and a warranty that Seller has not previously transferred its right, title or interest in such Project to another person or entity, (ii) all assignments and transfers shall be subject to the then existing rights of record or otherwise disclosed prior to the effective date of the assignment of any person, entity or governmental agency or authority with

respect to the property assigned or transferred, (iii) if the consent of any third party or governmental agency or authority is required to effect such assignment or transfer, it shall be Seller's obligation to cooperate with Buyer and use commercially reasonable efforts to obtain all such necessary consents and, with respect to all prospective agreements related to the Project, use commercially reasonable efforts to provide for such consent in such agreements, and (iv) concurrently with such assignment and transfer, Buyer shall assume any installment purchase agreement with respect to any equipment for the Project, and any interconnection agreement with respect to the Project, entered into by Seller or any of its Affiliates; provided, however, that any payments due under the installment purchase agreement or interconnection agreement must be current as of the effective date of such assignment and provided further that the interconnection agreement furnishes sufficient capacity for delivery of the output of the Project.

(g) In consideration for such assignment, Buyer shall reimburse Seller the latter's actual, verifiable and, with respect to affiliated parties, reasonable, costs without interest or carrying charges, for the acquisition of real estate and real estate interests, including the cost of real estate options, and for all material, supplies and equipment (including installment payments for such equipment previously made by Seller pursuant to an installment sales agreement) purchased for the Project; if Buyer exercises its right of assignment after the commencement of construction, Buyer will also reimburse Seller the latter's actual, verifiable and, with respect to affiliated parties, reasonable, costs of construction, through the date of such exercise, including labor costs, without interest or carrying charges. The assets being purchased by the Buyer with respect to any Project do not include, and Buyer shall not be required to purchase, any emissions reduction credits for a Project; provided, however, that Buyer shall have the option to purchase such credits at fair market value, subject to the right of Seller to retain such credits for use in the same California air district to the extent Seller reasonably expects that it will need such credits in connection with the construction or operation of power plants in such district. In no event, however, shall Buyer be required to pay Seller any additional consideration for the cost of obtaining permits, preparing engineering drawings, or acquiring similar documents, or for any other Project development costs. If the Parties are unable to agree as to the assets to be conveyed or amount to be reimbursed as defined in this Special Condition (4), they shall agree to have PricewaterhouseCoopers, Ernst & Young, or KPMG (or any of their successors) examine the books of Seller and within 30 days determine the assets to be conveyed or amount to be reimbursed. The determination of such accountant shall be

final, non-appealable and binding on the Parties, who shall promptly effectuate the assignment or conveyance of such assets in exchange for payment of the amount so determined. At Seller's request, Buyer shall execute any consents, subordination agreements or similar agreements reasonably requested by Seller's lenders in connection with the financing of such Project, so long as such consents, subordination agreements or other agreements do not materially and adversely affect Buyer's rights hereunder; provided, however, Buyer agrees that its rights hereunder shall be subordinate to those of Seller's lenders unless Buyer shall agree with Seller's lender(s) that the reimbursement upon exercise of its right to assignment hereunder shall at a minimum be not less than the full amount of any debt secured by or utilized to finance such Project. Except as permitted in subsection (e), Seller shall not sell, assign, convey, transfer or otherwise dispose of its right, title or interest in any of the Projects (including, without limitation, all permits, consents and approvals, engineering and design drawings, contracts and equipment entered into or acquired for the Project, and all other Project assets), other than with respect to financing of the Project, to any person or entity other than Buyer, without the express written consent of Buyer, which shall not be unreasonably withheld; provided, further, that such assignment, conveyance, disposition or transfer shall be made subject to Buyer's rights under this Special Condition (4), and the transferee shall acknowledge in writing that it is bound by the terms of this Special Condition (4). Seller can substitute for any of the Projects an alternate project of similar size and location (*e.g.* NP 15 or SP 15) with the consent of Buyer, which consent shall not be unreasonably withheld.

(h) Failure of Seller to meet the requirements of subsection (a) with respect to any Project shall allow Buyer to exercise its rights under this Special Condition (4) only with respect to such Project and shall not allow Buyer to exercise such rights with respect to any other Project or Projects unless Seller independently fails to meet the requirements of subsection (a) with respect to such other Project or Projects. Buyer's rights under this Special Condition (4) shall be Buyer's sole remedy for Seller's failure to meet its obligations under this Special Condition (4) with respect to any Project. It is the intention and agreement of the Parties that Buyer retain its rights under this Special Condition (4) after any assignment or transfer of Buyer's rights to a Qualified Electric Corporation pursuant to Section 10.5 of the Master Agreement and that Buyer's rights under this Special Condition (4) not be assigned to any a Qualified Electric Corporation in connection with any such assignment or transfer. A Replacement Agreement shall not include the provisions of this Special Condition (4). The provisions

of this Special Condition (4) shall survive termination of the Agreement until December 31, 2009 in the event Seller enters into a Replacement Agreement with a Qualified Electric Corporation in accordance with Section 10.5 of the Master Agreement and this Confirmation is accordingly terminated. Except as expressly provided herein, including without limitation clause (d) of this Special Condition (4), no delay or failure of Buyer to exercise any right under this Special Condition (4) shall exhaust or impair any such rights or prevent the exercise thereof during the term hereof. No waiver by Buyer of any failure of Seller to perform under subsection (a) shall affect any subsequent failure of Seller to perform under said subsection, or impair the rights of Buyer with respect thereto. Buyer's rights and Seller's obligations under this Special Condition (4) with respect to any Project shall terminate when Seller has met all of its obligations with respect to such Project under Special Condition (4)(a) or when Seller has assigned its rights in such Project to Buyer.

(i) Seller shall cooperate with any reasonable due diligence request of Buyer to enable Buyer to consider whether to exercise its rights under this Special Condition (4).

(5) The meter for Product 1 shall be on the high side of the Delivery Point transformer. Any generation meter multiplier (GMM) adjustments shall be for Buyer's account (i.e. notwithstanding any required GMM adjustments, Seller shall be deemed to have delivered the full metered amount of energy from each Unit). Metering shall conform to CAISO standards or the equivalent. Seller shall provide CAISO metering settlement data to Buyer on a monthly basis, and, at Buyer's option and expense, real-time access to meter data via appropriate telemetering equipment.

(6) (a) Notwithstanding anything to the contrary herein, Seller shall arrange and be responsible for transmission service to the Delivery Point, if any, and shall obtain Schedule Coordinator services necessary to deliver the Product to the Delivery Point.

(b) As to Product 2, 3 and 4 only, Seller shall be responsible for all charges due to CAISO, and entitled to receive all payments from CAISO, related to schedule deviations; provided, however, if a schedule change is directed by Buyer, Buyer shall be responsible for all charges due to CAISO, and entitled to receive all payments from CAISO, related to such schedule deviations.

(7) (a) An Event of Default shall exist under this Transaction if Seller schedules through CAISO or delivers less than 95% of the Contract Quantity energy scheduled by Buyer in any two

consecutive calendar months (the "Default Months"). For the purposes of the preceding sentence, deliveries shall include deliveries of Contract Quantity energy through the CAISO imbalance energy market as the result of any scheduling coordinator other than Seller failing to deliver under a schedule but shall not include the use by Seller of the CAISO uninstructed imbalance energy markets to effect a scheduled delivery of the Contract Quantity energy from any of its units except with respect to (i) any underdelivery resulting from a unit Forced Outage or Force Majeure events and where Seller has submitted a schedule change as soon thereafter as reasonably practical and (ii) any underdeliveries resulting from instructed deviations from schedules directed by Buyer or CAISO.

(b) Seller shall (consistent with the requirements or definitions of CAISO or its successor) provide Buyer with revenue quality data daily with respect to all deliveries of Contract Quantity energy and allow Buyer upon reasonable notice to test all meters providing such data. Buyer shall have ten (10) days after the end of each month to determine whether Seller has scheduled or delivered 95% of the Contract Quantity energy scheduled by Buyer during such month in accordance with subsection (a). If Buyer does not respond within such ten (10) day period, Seller shall be conclusively deemed to have scheduled or delivered 95% of the Contract Quantity energy scheduled by Buyer during such month; provided, however, that such ten (10) day period shall be extended day for day for each day after the end of such month that Seller has not provided to Buyer revenue quality data daily with respect to all deliveries of Contract Quantity energy during such month or allowed Buyer to test meters providing such data.

Failures to schedule or deliver Contract Quantity energy for the purpose of subsection (a) shall not include any failures resulting from meter failure or malfunction that is not the result of Seller's negligence; provided that Seller shall act promptly to repair or replace any such meter.

(c) Upon occurrence of an Event of Default pursuant to this Special Condition (7), Buyer may elect to terminate this Transaction pursuant to Section 5.2 of the Master Agreement, obtain damages pursuant to Article IV of the Master Agreement or exercise any other remedies available to it under the Master Agreement. Except as otherwise set forth in this Special Condition (7), Buyer's sole remedy for Seller's failure to schedule and deliver Product shall be as set forth in Article IV of the Master Agreement. Buyer must exercise any right it may have to terminate this

Transaction upon an Event of Default pursuant to this Special Condition (7) not later than 30 days after the close of the first calendar quarter following the Default Months.

Scheduling:

Product 1: N/A

Product 2, 3 or 4: Conforming to CAISO and WSCC standards. Buyer may schedule up to 100% of Contract Quantity on a day ahead basis. Buyer will schedule such day-ahead Contract Quantity by delivering a preliminary schedule to Seller by not later than 5:30pm PPT two days prior to the delivery date which preliminary schedule may be adjusted not later than 7:00am PPT on the day prior to the delivery date. Up to 30% of Contract Quantity may be scheduled by Buyer on an intraday basis upon notice one hour in advance of the CAISO intraday scheduling notice requirement or equipment limitations, whichever is greater. Buyer has no minimum energy purchase obligation for Product 2, 3 or 4, as appropriate. Seller will attempt to mitigate any charges, if any, associated with system wide or customer specific Operational Flow Order or Emergency Flow Order conditions provided, however, that such mitigation shall be at no cost to Seller. Buyer will be responsible for reimbursing Seller for such charges assessed by PG&E or its successor for such conditions that cannot be reasonably mitigated by Seller without cost to Seller. Buyer may change the scheduled Contract Quantity from one hour to the next in an amount equal to 25 percent of the on-peak Contract Quantity for Product 2, 3 or 4.

Option Buyer: N/A

Option Seller: N/A

Type of Option: N/A

Strike Price: N/A

Premium: N/A

Exercise Period: N/A

[The next page is the signature page.]

This amended and restated confirmation letter is being provided pursuant to and in accordance with the Amended and Restated Master Power Purchase and Sale Agreement dated April 22, 2002 (the "Master Agreement") between Party A and Party B, and constitutes part of and is subject to the terms and provisions of such Master Agreement. This amended and restated confirmation letter constitutes an amendment and restatement of the Confirmation (Long Term Commodity Sale) dated February 26, 2001 effective as of May 1, 2002. Terms used but not defined herein shall have the meanings ascribed to them in the Master Agreement.

Calpine Energy Services, L.P.

State of California Department of Water Resources
separate and apart from its powers
and responsibilities with respect to
the State Water Resources
Development System

By: _____

Name: E. James Macias

Title: Executive Vice President

Phone No: (408) 792-1124

Fax: (408) 995-0505

By: _____

Name: Thomas M. Hannigan

Title: Director

Phone No: (916) 653-7007

Fax: (916) 653-0943

SCHEDULE 1

Calpine #2 Contract Quantity				
Date	<i>Product 2- On Peak (MW)</i>	<i>Product 3- On Peak (MW)</i>	<i>Total Onpeak (MW)</i>	<i>Product 4- Offpeak (MW)</i>
May-02	800	0	800	400
Jun-02	800	500	1300	400
Jul-02	0	500	500	400
Aug-02	0	500	500	400
Sep-02	0	500	500	400
Oct-02	0	500	500	400
Nov-02	0	500	500	400
Dec-02	0	500	500	400
Jan-03	0	0	0	400
Feb-03	0	0	0	400
Mar-03	0	0	0	400
Apr-03	0	0	0	400
May-03	0	0	0	400
Jun-03	0	500	500	400
Jul-03	0	500	500	400
Aug-03	0	500	500	400
Sep-03	0	500	500	400
Oct-03	0	0	0	400
Nov-03	0	0	0	400
Dec-03	0	0	0	400

Calpine #2, Capacity Payment Table			
Date	<i>Product 2- Capacity Payment (\$)</i>	<i>Product 3- Capacity Payment (\$)</i>	<i>Product 4- Capacity Payment (\$)</i>
May-02 \$	10,000,000	\$ -	0
Jun-02 \$	10,000,000	\$ 6,250,000	0
Jul-02 \$	-	\$ 6,250,000	0
Aug-02 \$	-	\$ 6,250,000	0
Sep-02 \$	-	\$ 6,250,000	0
Oct-02 \$	-	\$ 6,250,000	0
Nov-02 \$	-	\$ 6,250,000	0
Dec-02 \$	-	\$ 6,250,000	0
Jan-03 \$	-	\$ -	0
Feb-03 \$	-	\$ -	0
Mar-03 \$	-	\$ -	0
Apr-03 \$	-	\$ -	0
May-03 \$	-	\$ -	0
Jun-03 \$	-	\$ 6,250,000	0
Jul-03 \$	-	\$ 6,250,000	0
Aug-03 \$	-	\$ 6,250,000	0
Sep-03 \$	-	\$ 6,250,000	0
Oct-03 \$	-	\$ -	0
Nov-03 \$	-	\$ -	0
Dec-03 \$	-	\$ -	0